

08/08/1997

Swap curb to last 'as long as it is necessary'

PRIME Minister Datuk Seri Dr Mahathir Mohamad said the US\$2 million (US\$1 = RM2.63) limit on non-commercial swap transactions with foreign customers will continue "as long as it is necessary".

He said this is not a restriction but it is merely a differential rate of interest.

"It has been done in this country over and over again ... This is not something new," he said when asked about the duration of the recent Bank Negara Malaysia (BNM) ruling on the limit on non-commercial swap transactions.

Dr Mahathir said previously, the Government has granted special rates for borrowing to buy low-cost houses and as a support for small industries.

The Prime Minister was speaking at a news conference in Kuala Lumpur yesterday after witnessing the signing ceremony between InterAsia Fairs and Exhibitions Sdn Bhd and Hannover Fairs Asia Pte Ltd.

Asked if he is satisfied with the effects of the swap limit and whether new limits will be introduced, Dr Mahathir said: "We'll watch (the forex market)... We'll see what's going to happen before we get satisfied."

A swap enables customers to exchange the currency they hold for the currency they need.

In the ringgit swap-transaction, customers would normally borrow ringgit from banks to fund the short positions they take on the ringgit spot market.

On Sunday, BNM announced a limit of US\$2 million on outstanding non-commercial related ringgit offer-side swap transactions with each foreign customer.

The move is said to be introduced to check speculative activities in the ringgit foreign exchange.

Dr Mahathir said the ringgit cannot afford to fall against the dollar.

"The German can afford it (the mark's fall against the dollar) but a 5 per cent fall of the ringgit is a big loss for us," he said.

He added he has yet to make up his mind whether to meet with financier George Soros, whom he blamed for last month's speculative attacks on the ringgit.

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